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GENERAL

1. Soviet official hints at tactics on four-power conference:

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A Soviet official in Bern expressed the opinion that the Soviet Union was unlikely to take part in a four-power conference unless a five-power conference were called simultaneously, according to the Swiss legation in Washington.

Comment: The anticipated Soviet note on the projected Lugano conference may well contain a new stalling device in specifying that the two conferences, as proposed in the Soviet note of 28 September, be held simultaneously.

Ambassador Bohlen, on the other hand, has suggested that the reply might propose a preparatory meeting of deputy foreign ministers similar to the 1951 Palais Rose conference. The USSR could stretch out such a meeting indefinitely by means such as proposing agenda items for a five-power conference on "lessening international tensions," even though there is little difference between the latest Western and Soviet proposals for a broad agenda on Germany at a four-power meeting.

2. Czechoslovakia offers to make concessions to increase trade with Austria:

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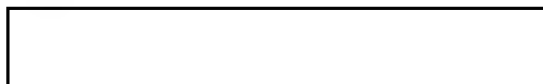
An official of the Czech Ministry of Foreign Trade proposed to the Austrian legation in Prague on 8 October that negotiations for a new trade agreement be undertaken in November. The Czech government is now represented as ready to adopt measures "more acceptable to Austria" in order to improve trade relations.

Comment: This is the first indication that a Satellite government is ready to make concessions on its own initiative in order to increase trade with the West in accordance with the new Orbit economic policy. In the past, concessions by Orbit negotiators were made only to improve their bargaining position.

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In line with current Soviet trade policy, Czechoslovakia may agree to decrease its demand for strategic goods and to import more raw iron and steel and consumer goods from Austria. Austrian firms have attempted to increase their exports to the Orbit of some of these latter items, which are too high-priced to sell readily in Western markets. Czech intransigence on these points caused the negotiations preceding the current agreement to drag on for more than half a year.

FAR EAST

3. Indian official says NNRC may hold Korean POW's indefinitely:

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Ambassador Chakravarty, India's ranking adviser on the Neutral Nations Repatriation Commission, told Ambassador Dean on 1 November that the NNRC must continue to hold

nonrepatriated prisoners if the political conference has not yet convened by 23 January, the date on which it is scheduled to have completed debate on the prisoner question.

Comment: Under the truce terms, the conference is supposed to consider the prisoner question from approximately 25 December to 23 January, with the NNRC retaining custody of the prisoners. In the following 30 days the NNRC is to declare the prisoners released from prisoner to civilian status and assist them to go to neutral nations, following which the commission is to dissolve itself.

American officials are already on record as saying the prisoners must be released on 23 January whether or not the conference has discussed the problem. This date virtually coincides with the end of the 90-day period in which Rhee has promised not to obstruct the truce.

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SOUTHEAST ASIA

5. French operation in south Tonkin fails to bring strong Viet Minh reaction:

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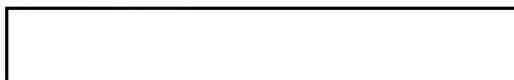
The French have been disappointed in the Viet Minh reaction to their operation in southern Tonkin, according to the American army attache in Saigon. He believes the

French are not occupying terrain really critical to the Viet Minh, and that the latter are unlikely to attack them in the heavily entrenched defensive positions they have set up.

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He reports that of two enemy divisions against which the operation was directed, one is continuing to infiltrate the delta and the other is continuing its training program.

Comment: Contrary to press reports, the French operation is believed to have had little effect on the Viet Minh's offensive capabilities. The army attache previously described current French tactics of building a strong defensive position and hoping for an enemy attack as reminiscent of the tactics of Navarre's defense-minded predecessor, General Salan.

6. Burma blames Nehru for its rice surplus:

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In a further conversation with Ambassador Sebald regarding the disposal of Burma's rice surplus, cabinet minister Kyaw Nyein stated that India's failure to purchase 600,000 tons of rice, set aside at Nehru's personal request at the expense of other traditional buyers, had caused bitter feeling in the Burmese cabinet. He stated that this rice forms a large part of the present surplus.

Kyaw Nyein indicated that one of the attractions of a Chinese Communist offer to buy Burmese rice was that it provided an opportunity to break Burma's dependence on India. He implied, moreover, that he could delay a final agreement with Peiping for only about 20 days.

Comment: This is the first sign of official Burmese bitterness toward India since the two countries became independent. Although there are potential sources of serious friction in Indo-Burmese relations, the two governments have heretofore maintained close relations.

There is no evidence that Sino-Burmese trade negotiations are beyond the exploratory stage.

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NEAR EAST - AFRICA

8. Israeli prime minister expected to resign by 20 November:

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Israeli prime minister Ben-Gurion will resign by 20 November and be succeeded by Levi Eshkol, minister of finance, according to Dr. Nahum Goldmann, prominent American Zionist now visiting Israel. He told American charge Russell in Tel Aviv that Ben-Gurion would continue to hold his membership in the Knesset and that after a year or two he might resume the premiership.

Comment: The long-rumored resignation of Ben-Gurion will probably result in considerable political maneuvering, even though Eshkol is an experienced administrator who has been groomed for the job.

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The prime minister's scheduled resignation suggests that the government believes that it has the crisis raised by the Kibya incident in hand. Lacking the firm influence of Ben-Gurion, Israel's relations with the Arab states might further deteriorate.

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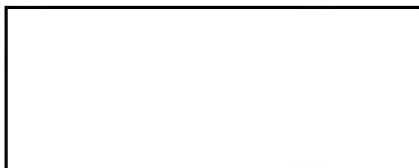
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WESTERN EUROPE

10. Pella reduces Italian conditions for attending five-power Trieste conference:

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In reply to French foreign minister Bidault's query on 31 October as to how much of the 8 October declaration on Trieste must be implemented before Italy would agree to a five-power conference, Italian premier Pella "hazarded a personal guess" that transfer to Italy of authority over the harbor and police force of Trieste would be sufficient.

According to a French Foreign Ministry spokesman, Pella stated that the conference should not be held too soon. He added that if transfer of the civil administration of Zone A proceeded smoothly and without delays, the problem of military transfer might not arise.

Comment: This is the first time Pella has retreated from his earlier insistence that Italy must have a "position of parity" with Yugoslavia before attending a five-power conference on Trieste.

The transfer to Italy of authority over even the harbor and police of Trieste would probably be regarded by Yugoslavia as sufficient grounds for refusing to attend a five-power conference.

11. Denmark may compromise on manning of NATO air bases:

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The American embassy in Copenhagen sees no hope at present of agreement on the permanent stationing of foreign personnel at air bases in Denmark, but believes that the new Social Democratic government might agree to a "rotation plan" if one were presented as a concession.

The embassy suggests that the US make a "last offer" along these lines before reporting final failure to NATO.

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Comment: The "rotation" plan would allow the United States to send air units to Denmark in peace time, ostensibly on maneuvers, and to bring them up to full strength in time of war or when the domestic political situation permits.

The Social Democratic Party declared its opposition to the manning of NATO bases by American personnel in June, largely as an election maneuver, allowing for a future reversal of policy.

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